

Message Text

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ACTION AID-59

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FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 0103

INFO AMEMBASSY NAIROBI

UNCLAS SECTION 1 OF 2 DAR ES SALAAM 5197/1

NAIROBI FOR REDSO/EA

E.O. 11652: N/A

SUBJ: TANZANIA AGRICULTURE SECTOR LOAN II

PROJECT REVIEW PAPER

TITLE: TANZANIA AGRICULTURE SECTOR LOAN II

AMOUNT: LOAN \$10,000,000, GRANT \$2,000,000

FINANCIAL YEAR PROPOSED FOR FINANCING; FY 1977

APPROPRIATION CATEGORY: FAA SECTION 103 FOOD AND NUTRITION

I. PRIORITY AND RELEANCE

THE TANZANIAN GOVERNMENT (TANGOV) DEVELOPMENT STRATEGY EMPHASIZES EQUITY, AND PROGRAMS AND POLICIES ARE PRIMARILY DESIGNED TO HAVE IMPACT ON THE WELFARE AND LIVING STANDARDS OF RURAL POPULAION. IMPROVED RURAL INCOMES AND NUTRITION THROUGH INCREASED AGRI-CULTURAL PRODUCTION FORM THE BASIC FOUNDATIONS OF THIS STRATEGY. THE TANZANIA DAP PROPOSED THE USE OF A "TRANSITIONAL DEVELOPMENT PROGRAM" WHICH WILL ALLOW AID TO CONTINUE TO ASSIST IN IMPROVING THE MANPOWER, INFRASTRUCTURE AND INSTITUTIONAL BASE
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WHILE ATEMTPING TO SHIFT EMPHASIS TO MORE DIRECTLY

PRODUCTIVE PROGRAMS. THIS LOAN, THE THIRD IN A SERIES, WILL ALLOW AID AND TANGOV TO CONTINUE IN THIS DIRECTION AND EXPAND PROGRAMS AND DIALOGUE ON THE CRITICAL DEVELOPMENT POLICIES AND ISSUES.

II. DESCRIPTION OF THE PROJECT

A. OBJECTIVES

THE OBJECTIVES ARE TO SUPPORT INCREASED INVESTMENT IN AGRICULTURE WHICH WILL RESULT IN INCREASED PRODUCTION AND PROGRESS TOWARD TANGOV'S GOAL OF SELF-SUFFICIENCY IN FOOD PRODUCTION AND TO ASSIST WITH CRITICALLY NEED INSTITUTIONAL SUPPORT. ASL I AND ASL II SUPPORTED IBRD POLICY REFORMS AND TANGOV EFFORTS TO RESTRUCTURE DEVELOPMENT EXPENDITURE TOWARD MORE DIRECTLY PRODUCTIVE PROGRAMS. TANGOV HAS INSITUATED THE SUGGESTED REFORMS AND A RECENT IBRD EVALUATION OF TANGOV ACTIONS CONCLUDES THAT THE GOVERNMENT HAS LIVED UP TO BOTH THE SPIRIT OF THE POLICY UNDERSTANDINGS AND HAS TAKEN SIGNIFICANT AND PAINFUL STEPS TO IMPLEMENT ITS PROGRAM. AID FEELS THAT THE THIRD LOAN WILL STRENGTHEN TANGOV RESOLVE TO INTENSIFY PROGRAMS WHICH WILL HAVE A POSITIVE EFFECT ON THESE IMPORTANT OBJECTIVES.

B. THE AGRICULTURE SECTOR

THE DAP SUMMARIES THE PROBLEM AND OPPORTUNITIES IN THE AGRICULTURAL SECTOR. THE BASIC RATIONALE HAS NOT CHANGED. THE CURRENT SITUATION IS THAT WHILE THE PRESENT HARVEST IS BETTER THAN THAT OF THE PAST FEW DROUGHT YEARS, CONTINUED SUBSTANTIAL INVESTMENTS WILL BE REQUIRED. ASL II SUPPORTS THE EFFORT IN INCREASING MAIZE PRODUCTION. AID RECOGNIZES THE NEED TO ASSIST IN OTHER SUB-SECTORS WITH PARTICULAR EMPHASIS ON LIVESTOCK, REGIONAL PROJECT, THE AGRICULTURAL COLLEGE'S CONTINUING EDUCATION PROGRAM, AND UNCLASSIFIED

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BUDGET SUPPORT FOR THE KEY PROGRAMS WHICH WOULD SUFFER UNDUE DELAYS BECAUSE OF SHORT-TERM TANGOV FINANCIAL CONSTRAINTS. SELECTION OF SPECIFIC PROGRAMS WILL BE BASED ON DETERMINATION OF PRIORITIES AND AN ASSESSMENT BY SUB-SECTORS OF THE MOST CRITICAL DEVELOPMENT CONSTRAINTS.

SPECIFIC PROGRAM WHICH MAY BE SUPPORTED BY ASL III

Q. LIVESTOCK

AID IS CURRENTLY UNDERTAKING STUDY OF LIVESTOCK SUB-SECTOR. THE RESULTS OF THE STUDY, CONDUCTED BY TEXAS A&M UNIVERSITY ARE EXPECTED IN FINAL FORM IN JUNE 1976. PRELIMINARY WORK INDICATES THAT CAPITAL SUPPORT WILL BE REQUIRED FOR PROGRAMS WHICH INCREASE EFFICIENCY IN BEEF CATTLE MARKETING AND THEREFORE ALLOW HIGHER DEVELOPMENT TO IMPROVE FEEDER ROADS AND MILK COLLECTION CENTERS TO RAISE INCOMES OF SMALL DAIRY FARMERS IN THE NORTHERN AND WESTERN REGIONS.

PART OF THE PROPOSED T.A. GRANT FUNDS WILL BE USED TO PROVIDE ASSISTANCE TO THE LIVESTOCK DEVELOPMENT AUTHORITY TO COMPLETE FEASIBILITY STUDIES. SPECIFIC PROGRAM WILL BE FINALIZED AS THE STUDIES ARE COMPLETED.

2. REGIONAL DEVELOPMENT

TANZANIA HAS DECENTRALIZED THE PLANNING AND IMPLEMENTATION OF MANY DEVELOPMENT PROGRAM TO THE TWENTY REGIONS. REGIONAL PLANS UNDER PREPARATION ARE EXPECTED TO PROVIDE FOR NUMEROUS PROGRAM. THESE PROGRAMS, THE RESULT OF A "BUTTON UP" PLANNING PROCESS, ARE DESIGNED TO BE MORE RESPONSIVE TO LOCAL NEEDS AND OPPORTUNITIES. AID EXPECTS TO SUPPORT ARUSHA REGIONAL PROGRAMS IN THE AREAS OF FOOD PRODUCTION, LIVESTOCK PRODUCTION AND DISTRICT STORAGE. SMALLSCALE IRRIGATION PROJECTS ARE BEING INCLUDED AND OFFER OPPORTUNITIES FOR IMPROVING YEAR ROUND FOOD SUPPLIES AND INCREASING EMPLOYMENT.

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IBRD IS PREPARING (WITH AID COLLABORATION) A NATIONAL AGRICULTURAL DEVELOPMENT PROJECT. THIS PROJECT ALSO WILL WORK WITH ALL REGIONS OVER A TEN-YEAR PERIOD AND EXPECTS TO PROVIDE CAPITAL ASSISTANCE UNDER THIS PROJECT.

PART OF THE GRANT FUNDS ARE EXPECTED TO BE USED FOR FEASIBILITY STUDIES IN CONNECTION WITH THE PROPOSED ARUSHA REGIONAL PLANNING PROJECT (SEE P.I.D.). LOAN FUNDS MAY ALSO BE USED TO SUPPORT IMPLEMENTATION OF THE PHASE II PLAN.

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3. NATIONAL MILLING CORPORATION (NMC)

UNDER THE NATIONAL MAIZE PROJECT IBRD WILL CONDUCT A STUDY OF THE STORAGE AND TRANSPORT AND PROCESSING REQUIREMENTS OF NMC. AID EXPECTS THIS STUDY TO IDENTIFY AREAS SUITABLE FOR CAPITAL ASSISTANCE. OF PARTICULAR IMPORTANCE WILL BE STORAGE, BOTH AT REGIONAL AND DISTRICT LEVELS, AND THE REQUIREMENTS OF A NATIONAL GRAIN RESERVE.

4. BUDGET SUPPORT

ASL I WAS A BUDGET SUPPORT LOAN WHICH ENABLE TANGOV TO RAISE THE OVERALL LEVEL OF PRODUCTIVE INVESTMENT IN AGRICULTURE BY ABOUT 12 PERCENT FOF FY 75/76. SIGNIFICANT AMOUNTS OF AID AR CONTINUING TO FLOW INTO TANZANIA, ESPECIALLY TO ASSIST WITH ITS CAPITAL BUDGET AND TO A LESSER EXTEND CRITICAL GAPS IN THE RECURRENT BUDGET. MUCH OF THIS AID IS FOR AGRICULTURE AND OTHER RURAL DEVELOPMENT OF INTEREST TO AID. HOWEVER, BECAUSE OF RECENT DRAINS AND STRAINS ON THE TANZANIAN ECONOMY, THERE IS A SERIOUS SHORT-RUN PROBLEM FOR TANGOV TO FINANCE ITS MATCHING CONTRIBUTIONS SO AS TO MAXIMIZE THE VALUE OF THE INCOMING AID. RETURNS AT THE MARGIN IN OUR OPINION WOULD BE HIGH THROUGH SHORT-TURN BUDGETARY SUPPORT PARTICULARLY TO INSURE THAT KEY PROGRAM (IN FOOD PRODUCTION, LIVESTOCK PRODUCTION AND MARKETING,

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FEEDER ROADS, LOCAL STORAGE AND KEY CONSTRUCTION)
DO NOT FLOUNDER THROUGH LACK OF EGOV SUPPORT. IN
THIS WE ARE BEING OUTSPOKEN ON OUR DEFINITION
OF PRIORITY PROBLEMS AND REQUEST THIS FLEXIBILITY
TO INCLUDE SELECTIVE BUDGET SUPPORT IN ASL III. THE
SUPPORT WILL BE CHANNELED PRIMARILY TO PROGRAMS VITAL
TO KEY ENDEAVOURS IN FOOD PRODUCTION AND RURAL DEVELOP-
MENT.

5. CONTINUING EDUCATION CENTER- AGRICULTURAL COLLEGE

AT MOROGORO

EVERY STUDY AND INDEED THE OBVIOUS POINTS CLEARLY
THAT IN TERMS OF FORMALLY TRAINED MANPOWER FOR RURAL
DEVELOPMENT A MOST GLARING GAP IS AT HIGHER LEVELS,
I.E., ASST. AGRICULTURAL OFFICER AND ABOVE RANK.
FORTUNATELY, THE AGRICULTURAL COLLEGE OF THE NATIONAL UNIVERSITY
IS NOW BEING ACCEPTED BY GOVERNMENT (ESPECIALLY THE PRIME
MINISTER'S OFFICE) AS A GENUINE PARTNER IN DEVELOPMENT
PROCESSES ESPECIALLY FOR PROVIDING IN-SERVICE
TRAINING OF HIGHER LEVEL PERSONNEL. WE ARE OF THE
OPINION ALSO THAT THE UNIVERSITY'S BEGINNING OUT-
REACH PROGRAM COULD PROVIDE A HEADQUARTERS FOR
STATISTICAL DESIGN AND DATA GATHERING FOR GOVERNMENT
PLANNING. THESE CRITICAL NEEDS HAVE INFLUENCED OUR
THINKING THAT CAPITAL SUPPORT TO CONSTRUCT THE CENTER
AND SUPPORT FOR ITS PROGRAM WARRANTS HIGHEST PRIORITY.

6. RESEARCH INFRASTRUCTURE

IT IS ANTICIPATED AGRICULTURE EXTENSION WORKERS⁶
WILL DEVELOP A COMMUNICATION AND DIALOGUE WITH THE RESEARCH
STATIONS, PARTICULARLY AT ILONGA WHICH HEADQUARTERS
THE NATION'S MAIZE AND LEGUME RESEARCH ACTIVITIES,

WHEN THIS COMMUNICATION BEGINS A NECESSARY PART OF THE
EDUCATION PROCESS WILL BE ALMOST CONTINUAL TRAINING
SESSIONS FOR GROUPS OF EXTENSION WORKERS TO BE UPDATED
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IN CERTAIN DISCIPLINES AND TECHNIQUES.

TO ACCOMMODATE THESE AGRICULTURE OFFICERS MOST ALL
THE PHYSICAL FACILITIES WILL HAVE TO BE BUILT, SUCH AS
A DORMITORY, CAFETERIA, CLASSROOMS, AND CONFERENCE FACILITIES.

III. AID AND OTHER RELEVANT EXPERIENCE

THIS WILL BE THE THIRD IN A SERIES OF LOANS WHICH WILL CONTINUE AID CONCENTRATION ON IMPORTANT POLICIES AND PROGRAMS. IT WILL BE DEVELOPED FURTHER BASED ON THE EXPERIENCE GAINED WITH ASL I AND II.

IV. BENEFICIARY

PROGRAMS TO BE INCLUDED WILL ALL IMPACT ON THE RURAL POPULATION. TANZANIA HAS FEW LARGE PRODUCERS AND MOST TANGOV PROGRAMS DIRECTLY BENEFIT THE POOREST SEGMENTS OF THE POPULATION.

V. FEASIBILITY ISSUE

SINCE THE PROGRAMS ARE TO BE BASED PRIMARILY ON STUDIES CURRENTLY OR SOON TO GET UNDERWAY, ALL ISSUES ARE EXPECTED TO BE FULLY EXPLORED DURING DETAILED PROJECT DEVELOPMENT.

VI. OTHER DONOR CONDITION

AID WILL COORDINATE THE DEVELOPMENT OF THIS LOAN WITH IBRD AND OTHER PRINCIPAL DONORS IN TANZANIA.

VII. FINANCIAL PLAN

THE PROGRAM TO BE SUPPORTED AND THE DETAILED UNCLASSIFIED

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FINANCIAL PLAN WILL BE DETERMINED IN CONSULTATION WITH OTHER ASSISTANCE AGENCIES AND TANGOV. TENTATIVE PLANS CALL FOR APPROXIMATELY \$12 MILLION IN THOSE AREAS DESCRIBED. WHILE IT IS OBVIOUS THAT THE PRESENT CONDITIONS IN TANZANIA WARRANT CAREFUL CONSIDERATION FOR USE OF AVAILABLE GRANT FUNDS.

VIII. PROJECT DEVELOPMENT SCHEDULE

DECEMBER 31 - AID/W REVIEW OF PRP

MAY 30 - USAID COMPLETION OF TECHNICAL AND
ECONOMIC REVIEW OF PROJECT

SEPTEMBER 30 - USAID SUBMISSION OF PP.
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